

Debt Service

MISSION STATEMENT

This section provides budget data for the repayment of general obligation bonds issued and payment of long-term leases and short-term financing for public facilities and infrastructure in the Debt Service Fund for all tax supported County agencies (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs.

BUDGET OVERVIEW

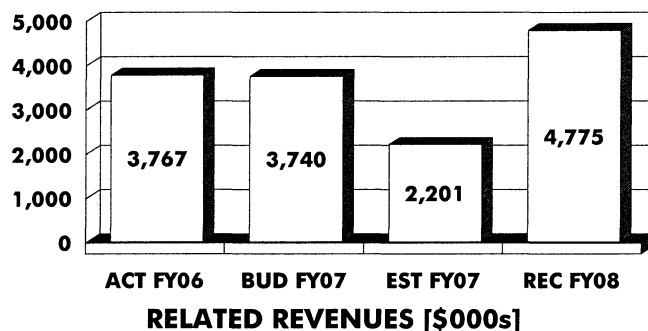
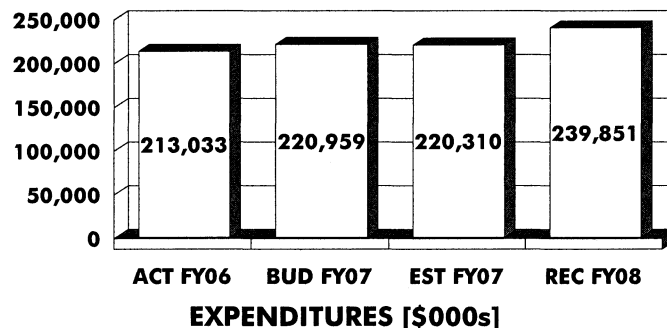
The total recommended FY08 Operating Budget for Debt Service is \$239,850,710, an increase of \$19,992,120 or 9.1 percent from the FY07 approved budget of \$219,858,590. This amount includes long-term lease expenditures of \$12,902,790 and short-term financing of \$871,600, but excludes \$80,800 in debt service which is appropriated in non-tax supported funds.

General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 48 percent of the County's capital expenditures for the six years of the Amended FY07-12 CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefiting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local regulations, interest rates are lower than in the private sector. However, once committed, Debt Service represents a major continuing claim on County resources that must be kept within the annual operating requirements of the County government in order to avoid excessive pressures on operating budgets in years of revenue shortfalls.

Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. The approved SAG limits are \$275.0 million for FY07, \$275.0 million for FY08, and \$1,650.0 million for the Amended FY07-12 CIP. The SAG limits were increased above the G.O. bond levels approved by the County Council in May 2006. The County Executive recommends a CIP consistent with the May 2006 approved G.O. levels of \$264.0 million for FY07, \$264.0 million for FY08 and \$1,458.0 million for the Amended FY07-12 CIP.

Trends



"General obligation" refers to the fact that the bonds are backed by the "full faith and credit" of the County and its general revenue stream. In addition, the Montgomery County Charter provides that the Director of Finance must make debt service payments even if the Council fails to provide sufficient appropriation. County G.O. bonds are exempt from Federal taxes and also from State taxes for citizens of Maryland. Finally, the County strives to maintain its total and projected outstanding debt and debt service within certain financial parameters according to the County's fiscal policy. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

Debt Limit

The County's outstanding general obligation debt totals \$1,493,888,054 as of June 30, 2006. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2006, is \$7,206,499,331 based upon the assessed valuation \$110,529,249,116 for all real property and \$3,831,629,230 for personal property. The County's outstanding general obligation debt of \$1,493,888,054 plus outstanding short-term commercial paper of \$100,000,000 is 1.39 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart included at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2006 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet.

Leases and Other Debt

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term leases, where the payments represent a substantial County commitment for the acquisition of assets which have a shorter life, but still result in a substantial asset, are also displayed and appropriated within this Fund.

Long-term payments include:

- Lease payments to the Montgomery County Revenue Authority for the Conference Center, HHS Piccard Drive, and various Recreation pools.
- Lease payments to the Maryland Economic Development Corporation (MEDCO) for the Town Square and Wayne Avenue Garages in Silver Spring.

- Payments for the acquisition of a temperature controlled liquor warehouse and fire and rescue equipment.

Short-term lease payments include:

- Payments for the acquisition of a Public Safety Radio System (through FY06).
- Payments for the acquisition of the Kay property.
- Payments for the acquisition of 44 County Ride On buses (from FY09).

Long-term loan payments to the Maryland Industrial and Commercial Redevelopment Fund (MICRF) are related to an economic development loan between the County and Aspen Systems Corporation. MICRF loaned money to the County which is repaid from the Debt Service Fund, is backed by the full faith and credit of the County, and is considered long-term debt of the County. The County made an equivalent economic development loan to Aspen Systems which is repaid by Aspen Systems into the Economic Development Fund. The loan was repaid in FY06.

Loan payments to HUD are related to a HUD Section 108 program loan that was received by the County. The County re-loaned the funds to HOC. Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the MHI fund support the repayment shown in the Debt Service Fund.

The FY08 appropriations for the long and short-term leases are displayed in a chart at the end of this section.

Other Long-Term Debt

Certain other types of long-term debt are issued by the County government and State-chartered agencies of the County, such as the Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Housing Opportunities Commission, and the Revenue Authority. Examples are revenue bonds, backed by fees and charges to facility users; and agency bonds, backed by separate taxes, charges, other revenues, and/or the faith and credit available directly to these agencies. In some cases, the County government may make direct payments under contract to these or other agencies, such as the service payment to the Northeast Maryland Waste Disposal Authority for financing of the Resource Recovery Facility. Most of these other types of non-general obligation debt are not included in expenditure listings of this section.

Debt Service Program

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY08. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (County government facilities that are not included in the following

categories); Roads and Storm Drains; Public Housing; Parks (including land and development for M-NCPPC regional and Countywide use parks); Public Schools; Montgomery College; Fire Tax District; Mass Transit Fund; Recreation Fund; Noise Abatement Districts; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Mass Transit, Fire, Recreation, Noise Abatement Districts) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations and short-term financing obligations. The General County category includes an appropriation for County Debt Service on facilities for Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes. In recent years, Solid Waste projects have been funded entirely with revenue bonds or Enterprise fund current revenues, but general obligation debt service remains from prior year issues.

Certain other expenditures and revenues are included in Debt Service budget calculations. The total Debt Service budget consists of principal and interest on the bonds, long-term lease obligations and short-term financing obligations. Bond anticipation notes (BANs)/commercial paper are short-term capital financing instruments issued with the expectation that the principal amount will be refunded with long-term bonds. In the meantime, interest costs are incurred, usually at lower rates than with more permanent financing. Cost of issuance includes the legal, administrative, and production cost of rating, issuing, and selling bonds, BANs/commercial paper and short- and long-term lease obligations.

Funding sources which offset the General Fund requirement for Debt Service include the accrued interest on bonds between the date of issue and the date the County receives the proceeds, investment income on BANs/commercial paper, and any premium on bonds issued. The special funds will fund the Debt Service appropriation via a transfer from individual special funds to the Debt Service Fund. These special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, Cabin John Noise Abatement, and the Economic Development Fund.

The Montgomery County Revenue Stabilization Fund Law, Article XII, Section 20-71, Interest, requires transfer of interest earned on the Fund when the Fund exceeds 50 percent of the maximum Fund size authorized by Section 20-67(a). Interest must be transferred to the Debt Service Fund as an offset to the approved issuance of general obligation debt (PAYGO). The interest income earned will be transferred from the Revenue Stabilization Fund to the Debt Service Fund and then transferred from the Debt Service Fund to the CIP Fund to offset G.O. bond funding. Beginning in FY98, the Revenue Stabilization Fund exceeded 50 percent of the maximum Fund size; therefore, interest is assumed to be transferred to the Debt Service Fund for FY08-13.

Capital Improvements Program Impact On Operating Budget Debt Service Requirements

Debt Service requirements are the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization, with estimated project costs, sources of funding, and timing of work over a six-year period. For FY07-12, approximately 48 percent of the CIP is funded with G.O. bonds. Each bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. Debt Service expenditures take up fiscal capacity that could be diverted to improved services as well as tax bill containment. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The County Council adopts Spending Affordability Guidelines for the capital budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other long-term commitments, are expected to stay manageable, representing less than ten percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased Debt Service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues for the six years which are the basis of the G.O. bond-funded portion of the Amended FY07-12 CIP.

Annual bond-funding requirements (on which future debt issue projections are based) are based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Amended FY07-12 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Amended FY07-12 CIP is included at the end of this section.

FY07 Estimated Debt Service

FY07 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$219.5 million which approximates the budget amount of \$219.7 million.

FY08 Recommended Debt Service Budget

The FY08 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through May 2006) plus the following:

- A May 2007 issue of \$250 million at a true interest cost of 4.7 percent for 20 years with even principal payments.
- Interest expense based on an anticipated average BANs/commercial paper balance of \$150.0 million during FY08.
- Continuation of long-term lease obligations for the Conference Center, HHS Piccard, Town Square and Wayne Avenue Garages, and various pools.
- Long-term lease obligations for the construction of the temperature controlled liquor warehouse and the purchase of fire and rescue equipment.
- Short-term financing obligations for acquisition of the Kay property.

A spring bond issue delays principal and two semiannual interest payments until FY08. Spring bond issues are expected to continue in FY08 through FY13. The favorable short-term interest on commercial paper is significantly offset by investment income earned by BANs/commercial paper funds prior to their required use for project expenditures.

The Debt Service assumptions discussed above result in a total FY08 Debt Service requirement for tax supported funds of \$239.1 million, which is a 8.8 percent increase from the FY07 budget of \$219.7 million. The General Fund appropriation requirement is \$224.5 million, or 9.4 percent more than the budgeted FY07 amount of \$205.3 million. The special funds appropriation requirements are \$15.3 million, or 2.1 percent less than the budgeted FY07 amount of \$15.7 million. The change is mainly due to decreased Liquor Control fund financing. The special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, Cabin John Noise Abatement and Liquor Control. Road and school bonds, both in the General Fund, have continued to increase as a component of Debt Service requirements. In recent years, and in projections, the Enterprise funds' share of total Debt Service is decreasing, because, as noted above, the Enterprise funds have made increased use of revenue bonds and current fund revenues to meet capital financing requirements.

Public Services Program

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation, and implementation of the capital program at a projected 92 percent rate for FY07-12. The actual true interest cost of 4.7 percent is budgeted for the May 2007 issue. Projected interest rates for bond issues for FY08 through FY12 are based on an econometric model which forecasts little change in interest rates after FY08. Under these projections and assumptions, tax-supported Debt Service will increase from

\$239.1 million in FY08 to \$304.3 million by FY13 with the General Fund revenue requirement growing from \$224.5 million in FY08 to \$273.1 million by FY13.

Rating Agency Reviews

Montgomery County continues to maintain its status as a top-rated issuer of municipal securities. The County has the highest credit ratings possible for a local government, AAA, from Moody's Investors Service, Inc. (since 1973), from Standard and Poor's (since 1976), and from Fitch (since 1993, the first year a rating was sought from Fitch). These high ratings are critical to ensure the lowest possible cost of debt to citizens. High ratings translate into lower interest rates and considerable savings over the 20-year interest payments on the bonds. The rating agencies also place great emphasis on certain operating budget criteria, the quality of government administration, legal or constitutional restrictions, and the overall condition of the local economy. All of these factors are considered evidence of both the ability and willingness of local governments to support public debt.

Development Districts

Three development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The West Germantown District was created by Council Resolution 13-1135, the Kingsview Village Center Development District was created by Resolution 13-1377, and the Clarksburg Town Center District was created by Resolution 15-87. The creation of the development districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or purchase of infrastructure improvements.

The West Germantown Development District was created in an unincorporated area of Montgomery County, encompassing approximately 671 acres. Various transportation, local park, and sewer infrastructure improvements have or will be constructed by developers and acquired by the County at completion for a total cost of \$12.8 million. Special obligation bonds were issued in March 2002.

The Kingsview Village Center Development District was created in an unincorporated area of Montgomery County, encompassing approximately 29 acres. Various transportation improvements were constructed by developers and acquired by the County at completion for a total cost of \$2.7 million. Special obligation bonds were issued in December 1999.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion for a total cost of \$10.76 million. In addition, the District will fund contributions totaling \$6.24 million toward the capital cost of two County government projects (a library and extension of

Stringtown Road to I-270). Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved resolution number 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg Village and Clarksburg Skylark. The evaluation of these two additional districts remains under consideration although discussions with the petitioners have been inconclusive to date as to whether the two additional districts will proceed. Upon completion, the three proposed Clarksburg developments will consist of 3,900 residential units, and approximately 110,000 square feet of retail space.

The County issues special obligation bonds to fund the acquisition of the completed infrastructure assets. The debt service on the special obligation debt is funded by an ad valorem tax and special benefit assessment levied on the properties located in the development district. The County Council, by separate resolution, sets the ad valorem tax and special benefit assessment at rates sufficient to pay the principal, interest, any redemption premium on the bonds, and administrative expenses.

Revenues resulting from the ad valorem tax and special benefit assessed, and expenditures for the debt service on the special obligation bonds and administrative expenses, are accounted for in an agency fund, because the County has no obligation whatsoever for the indebtedness. The County acts only as a financing conduit and agent for the property owners and bondholders. In accordance with Section 20A-1 of the Montgomery County Code, the bonds or other obligations issued may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power.

PROGRAM CONTACTS

Contact Glenn Wyman of the Department of Finance at 240.777.8929 or Jacqueline Carter of the Office of Management and Budget at 240.777.2771 for more information regarding this department's operating budget.

BUDGET SUMMARY

	Actual FY06	Budget FY07	Estimated FY07	Recommended FY08	% Chg Bud/Rec
DEBT SERVICE					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service G.O. Bonds	190,105,430	206,429,840	206,892,810	226,076,320	9.5%
Debt Service Other	22,927,235	13,238,750	12,646,440	13,003,970	-1.8%
Capital Outlay	0	0	0	0	—
Debt Service Expenditures	213,032,665	219,668,590	219,539,250	239,080,290	8.8%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
REVENUES					
Street Assessments	40,798	0	0	0	—
BAN/Comm Paper Investment Income: Pooled	2,941,977	3,400,000	1,900,000	4,200,000	23.5%
Accrued Interest: GO Refunding Bonds	451,331	0	0	0	—
Accrued Interest: Installment Notes, I&P	42,479	0	0	0	—
Accrued Interest: Bonds Non-Pooled	290,278	340,000	300,980	575,000	69.1%
Debt Service Revenues	3,766,863	3,740,000	2,200,980	4,775,000	27.7%
DEBT SERVICE - NON-TAX SUPPORTED					
EXPENDITURES					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
Debt Service - Non-Tax Supported Personnel Costs	0	0	0	0	—
Operating Expenses	0	0	0	0	—
Debt Service Other	0	1,290,650	770,420	770,420	-40.3%
Capital Outlay	0	0	0	0	—
Debt Service - Non-Tax Supported Expenditures	0	1,290,650	770,420	770,420	-40.3%
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
DEPARTMENT TOTALS					
Total Expenditures	213,032,665	220,959,240	220,309,670	239,850,710	8.5%
Total Full-Time Positions	0	0	0	0	—
Total Part-Time Positions	0	0	0	0	—
Total Workyears	0.0	0.0	0.0	0.0	—
Total Revenues	3,766,863	3,740,000	2,200,980	4,775,000	27.7%

DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

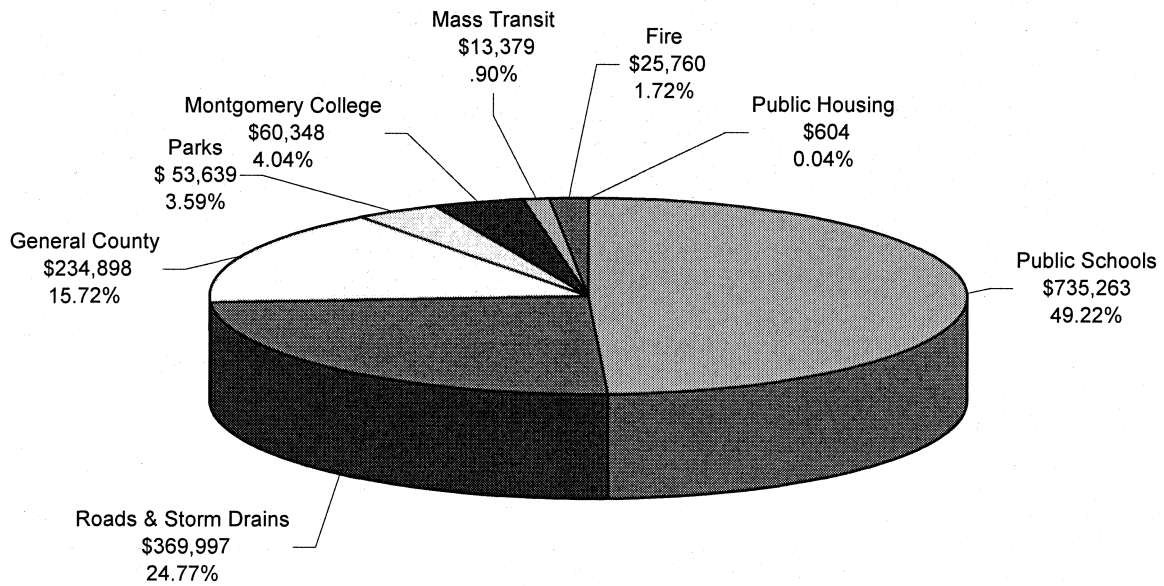
	Actual FY05	Actual FY06	Budget FY07	Estimated FY07	Recommended FY08	% Chg Rec/Bud	Rec % GO Bonds
GO BOND DEBT SERVICE EXPENDITURES							
General County	22,368,334	24,460,186	25,612,430	26,233,930	27,498,810		12.7%
Roads & Storm Drains	45,683,511	48,415,800	52,289,880	51,852,020	53,900,920		24.8%
Public Housing	297,081	281,544	266,000	266,000	250,420		0.1%
Parks	5,564,364	6,526,972	6,640,990	6,772,480	7,255,290		3.3%
Public Schools	86,162,421	88,421,768	97,404,250	96,365,830	109,707,010		50.5%
Montgomery College	4,730,719	6,012,792	6,725,030	6,815,470	7,891,260		3.6%
Bond Anticipation Notes/Commercial Paper	2,883,383	4,675,356	5,800,000	6,700,000	7,700,000		
Cost of Issuance: General Fund	630,299	915,831	976,880	976,880	1,005,210		
Total General Fund	168,320,112	179,710,249	195,715,460	195,982,610	215,208,920	10.0%	95.0%
Fire Tax District Fund	2,276,043	2,729,950	3,303,290	3,396,920	3,624,800	9.7%	1.7%
Mass Transit Fund	3,005,061	3,011,246	2,506,300	2,483,050	2,328,860	-7.1%	1.1%
Recreation Fund	3,981,838	4,611,661	4,862,820	4,989,520	4,874,680	0.2%	2.2%
Bradley Noise Abatement Fund	33,888	32,641	32,650	31,390	30,120	-7.7%	0.0%
Cabin John Noise Abatement Fund	10,051	9,683	9,320	9,320	8,940	-4.1%	0.0%
Total Tax Supported Other Funds	9,306,881	10,395,181	10,714,380	10,910,200	10,867,400	1.4%	5.0%
TOTAL TAX SUPPORTED	177,626,993	190,105,430	206,429,840	206,892,810	226,076,320	9.5%	100.0%
Non-Tax Supported							
Solid Waste Disposal Fund	58,431	55,156	2,720	2,720	2,540	-6.6%	0.0%
Total Non-Tax Supported	58,431	55,156	2,720	2,720	2,540	-6.6%	0.0%
TOTAL GO BOND DEBT SERVICE EXPENDITURES	177,685,424	190,160,586	206,432,560	206,895,530	226,078,860	9.5%	100.0%
LONG-TERM LEASE EXPENDITURES							
Revenue Authority - Conference Center	1,904,509	1,901,051	2,211,270	2,211,270	2,216,070		
Revenue Authority - HHS Piccard Drive	634,512	620,993	633,200	633,200	633,490		
Silver Spring Garages	6,227,703	5,858,988	5,862,370	5,862,370	5,591,010		
Revenue Authority - Recreation Pools	3,153,782	3,100,172	3,060,310	3,068,000	3,041,800		
Fire and Rescue Equipment	-	-	600,000	-	650,000		
Liquor Control Warehouse - (Non-tax supported)	-	-	190,000	770,420	770,420		
TOTAL LONG-TERM LEASE EXPENDITURES	11,920,506	11,481,204	12,557,150	12,545,260	12,902,790		
SHORT-TERM LEASE EXPENDITURES							
Short Term Financing - Public Safety Radio	10,276,087	10,220,100	-	-	-		
Short Term Financing - Kay Property	1,158,045	1,170,751	871,600	871,600	871,600		
TOTAL SHORT-TERM LEASE EXPENDITURES	11,434,132	11,390,851	871,600	871,600	871,600		
OTHER LONG-TERM DEBT							
MICRF Loan - Tax supported	110,360	55,180	-	-	-		
MHI-HUD Loan - Non-Tax supported	80,938	80,304	79,420	79,420	78,260		
Liquor Revenue Bonds - Non-tax supported	-	-	1,100,650	-	-		
TOTAL OTHER LONG-TERM DEBT	191,298	135,484	1,180,070	79,420	78,260	-93.4%	
DEBT SERVICE EXPENDITURES							
Tax Supported	201,091,991	213,032,665	219,668,590	219,539,250	239,080,290		
Non-Tax supported - Long-Term Leases	-	-	190,000	770,420	770,420		
Non-Tax Supported - Other & GO Bond Debt	139,369	135,460	1,182,790	82,140	80,800		
TOTAL DEBT SERVICE EXPENDITURES	201,231,360	213,168,125	221,041,380	220,391,810	239,931,510	8.5%	
GO BOND DEBT SERVICE FUNDING SOURCES							
General Funds	166,265,107	175,105,669	191,975,460	193,781,630	210,433,920		
Accrued Interest: GO Bonds-Non Pooled	462,377	290,278	340,000	300,980	575,000		
Accrued Interest: G.O.Refunding Bonds	520,918	451,331	-	-	-		
Accrued Interest: Installmt Notes, I&P, Street Assessmts	260,853	42,479	-	-	-		
BAN/Commercial Paper Investment Income	882,283	2,941,977	3,400,000	1,900,000	4,200,000		
Special Street Assessments	14,998	40,798	-	-	-		
Total General Fund Sources	168,406,536	178,872,532	195,715,460	195,982,610	215,208,920		
Fire Tax District Funds	2,359,752	2,758,039	3,303,290	3,396,920	3,624,800		
Mass Transit Fund	3,019,228	3,009,912	2,506,300	2,483,050	2,328,860		
Recreation Fund	3,797,538	4,607,795	4,862,820	4,989,520	4,874,680		
Bradley Noise Abatement Fund	33,888	32,641	32,650	31,390	30,120		
Cabin John Noise Abatement Fund	10,051	9,683	9,320	9,320	8,940		
Solid Waste Disposal Fund	58,431	55,156	2,720	2,720	2,540		
Capital Projects Fund	-	814,828	-	-	-		
Total Other Funding Sources	9,278,888	11,288,054	10,717,100	10,912,920	10,869,940		
TOTAL GO BOND FUNDING SOURCES	177,685,424	190,160,586	206,432,560	206,895,530	226,078,860		
NON GO BOND FUNDING SOURCES							
General Funds	20,200,856	19,771,883	9,578,440	9,578,440	9,312,170		
Montgomery Housing Initiative Fund	80,938	80,304	79,420	79,420	78,260		
Liquor Control Fund	-	-	1,290,650	770,420	770,420		
Economic Development Fund	110,360	55,180	-	-	-		
Recreation Fund	3,153,782	3,100,172	3,060,310	3,068,000	3,041,800		
Fire Tax District fund	-	-	600,000	-	650,000		
TOTAL NON GO BOND FUNDING SOURCES	23,545,936	23,007,539	14,608,820	13,496,280	13,852,650		
TOTAL FUNDING SOURCES	201,231,360	213,168,125	221,041,380	220,391,810	239,931,510		
TRANSFERS							
FROM: RSF Investment Income	2,369,863	4,719,842	4,904,290	5,960,600	6,161,852		
TO: CIP - PAYGO	2,369,863	4,719,842	4,904,290	5,960,600	6,161,852		
TOTAL GENERAL OBLIGATION BOND SALES							
Actual and Estimated Bond Sales	200,000,000	200,000,000	-	250,000,000	-		
County Executive Recommended Issues	-	-	264,000,000	264,000,000	264,000,000		

DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES

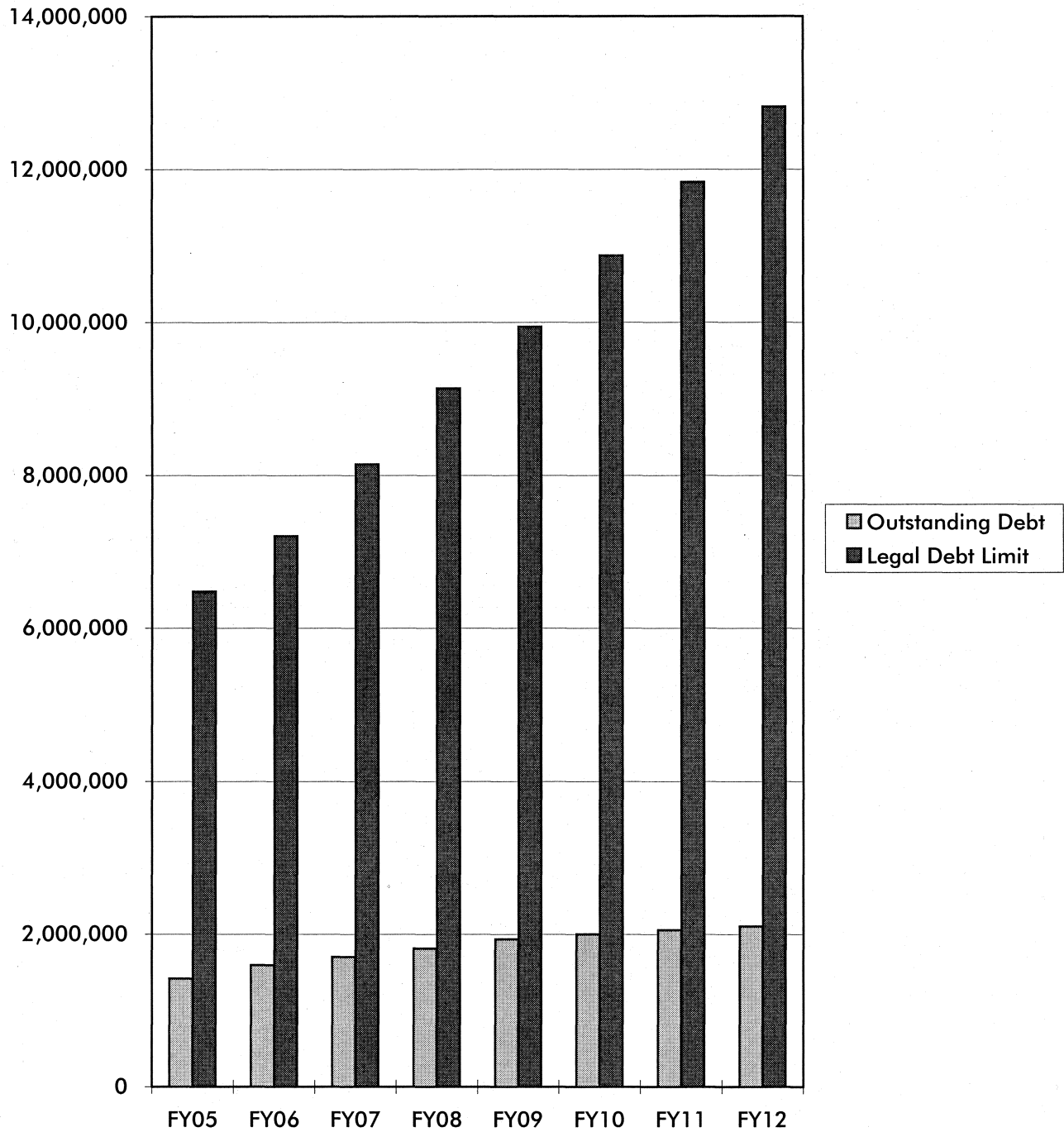
	Recommended FY08	Projected FY09	Projected FY10	Projected FY11	Projected FY12	Projected FY13
GO BOND DEBT SERVICE EXPENDITURES						
General County	27,498,810	28,928,700	33,766,630	37,940,890	42,019,950	42,450,270
Roads & Storm Drains	53,900,920	55,848,640	56,208,400	57,083,280	58,182,980	66,776,950
Public Housing	250,420	175,010	108,320	34,920	160,050	321,790
Parks	7,255,290	8,024,930	9,079,060	10,084,380	11,790,710	13,087,320
Public Schools	109,707,010	115,015,340	120,775,750	119,738,500	118,296,580	118,714,270
Montgomery College	7,891,260	11,214,230	14,311,810	17,028,720	19,697,670	20,684,090
Bond Anticipation Notes/Commercial Paper	7,700,000	7,700,000	7,000,000	7,100,000	7,200,000	7,200,000
Cost of Issuance	1,005,210	1,032,350	1,060,220	1,088,850	1,118,250	1,148,440
Total General Fund	215,208,920	227,939,200	242,310,190	250,099,540	258,466,190	270,383,130
Fire Tax District Fund	3,624,800	4,944,230	6,662,210	8,018,330	8,152,710	8,189,310
Mass Transit Fund	2,328,860	2,603,130	2,901,250	2,944,340	2,873,290	3,025,200
Recreation Fund	4,874,680	5,668,550	6,376,880	7,028,910	7,843,760	8,716,150
Bradley Noise Abatement Fund	30,120	28,810	27,500	26,180	24,870	23,550
Cabin John Noise Abatement Fund	8,940	8,560	8,170	7,780	7,390	7,000
Total Tax Supported Other Funds	10,867,400	13,253,280	15,976,010	18,025,540	18,902,020	19,961,210
TOTAL TAX SUPPORTED	226,076,320	241,192,480	258,286,200	268,125,080	277,368,210	290,344,340
Non-Tax Supported						
Solid Waste Disposal Fund	2,540	0	-	-	-	-
Total Non-Tax Supported	2,540	0	0	0	0	0
TOTAL GO BOND DEBT SERVICE EXPENDITURES	226,078,860	241,192,480	258,286,200	268,125,080	277,368,210	290,344,340
LONG-TERM LEASE EXPENDITURES						
Revenue Authority - Conference Center	2,216,070	2,210,660	1,903,290	1,901,650	1,903,900	995,440
Revenue Authority - HHS Piccard Drive	633,490	632,700	635,700	632,500	633,040	636,870
Silver Spring Garages	5,591,010	5,553,520	5,590,330	5,544,320	5,544,170	5,574,900
Revenue Authority - Recreation Pools	3,041,800	2,662,970	2,664,820	2,325,820	2,325,680	2,323,020
Fire and Rescue Equipment	650,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
Liquor Control Warehouse (Non-tax supported)	770,420	-	-	-	-	-
Ride On Buses	-	2,590,960	2,590,960	2,590,960	602,370	602,370
TOTAL LONG-TERM LEASE EXPENDITURES	12,902,790	17,450,810	17,185,100	16,795,250	14,809,160	13,932,600
SHORT-TERM LEASE EXPENDITURES						
Short Term Financing - Kay Property	871,600	871,600	-	-	-	-
TOTAL SHORT-TERM LEASE EXPENDITURES	871,600	871,600	-	-	-	-
OTHER LONG-TERM DEBT						
MHI-HUD Loan - Non-Tax supported	78,260	76,870	75,300	73,580	71,730	69,770
TOTAL OTHER LONG-TERM DEBT	78,260	76,870	75,300	73,580	71,730	69,770
DEBT SERVICE EXPENDITURES						
Tax Supported	239,080,290	259,514,890	275,471,300	284,920,330	292,177,370	304,276,940
Non-Tax supported - Long-Term Leases	770,420	0	0	0	0	0
Non-Tax Supported - Other & GO bond Debt	80,800	76,870	75,300	73,580	71,730	69,770
TOTAL DEBT SERVICE EXPENDITURES	239,931,510	259,591,760	275,546,600	284,993,910	292,249,100	304,346,710
GO BOND DEBT SERVICE FUNDING SOURCES						
General Funds	210,433,920	223,264,200	237,935,190	245,724,540	253,991,190	265,908,130
Accrued Interest on Bonds - Non-Pooled	575,000	575,000	575,000	575,000	575,000	575,000
BAN/Commercial Paper Investment Income	4,200,000	4,100,000	3,800,000	3,800,000	3,900,000	3,900,000
Total General Fund Sources	215,208,920	227,939,200	242,310,190	250,099,540	258,466,190	270,383,130
Fire Tax District Fund	3,624,800	4,944,230	6,662,210	8,018,330	8,152,710	8,189,310
Mass Transit Fund	2,328,860	2,603,130	2,901,250	2,944,340	2,873,290	3,025,200
Recreation Fund	4,874,680	5,668,550	6,376,880	7,028,910	7,843,760	8,716,150
Bradley Noise Abatement Fund	30,120	28,810	27,500	26,180	24,870	23,550
Cabin John Noise Abatement Fund	8,940	8,560	8,170	7,780	7,390	7,000
Solid Waste Disposal Fund	2,540	0	0	0	-	-
Total Other Funding Sources	10,869,940	13,253,280	15,976,010	18,025,540	18,902,020	19,961,210
TOTAL GO BOND FUNDING SOURCES	226,078,860	241,192,480	258,286,200	268,125,080	277,368,210	290,344,340
NON GO BOND FUNDING SOURCES						
General Funds	9,312,170	9,268,480	8,129,320	8,078,470	8,081,110	7,207,210
Montgomery Housing Initiative Fund	78,260	76,870	75,300	73,580	71,730	69,770
Mass Transit Fund	-	2,590,960	2,590,960	2,590,960	602,370	602,370
Liquor Control Fund	770,420	-	-	-	-	-
Recreation Fund	3,041,800	2,662,970	2,664,820	2,325,820	2,325,680	2,323,020
Fire Tax District Fund	650,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
TOTAL NON GO BOND FUNDING SOURCES	13,852,650	18,399,280	17,260,400	16,868,830	14,880,890	14,002,370
TOTAL FUNDING SOURCES	239,931,510	259,591,760	275,546,600	284,993,910	292,249,100	304,346,710
TRANSFERS						
FROM: RSF Investment Income	6,161,852	5,982,380	5,982,380	6,042,200	6,102,030	6,161,850
TO: CIP - PAYGO	6,161,852	5,982,380	5,982,380	6,042,200	6,102,030	6,161,850
TOTAL GENERAL OBLIGATION BOND SALES						
County Executive Recommended Issues (FY13 flatlined)	264,000,000	264,000,000	226,000,000	220,000,000	220,000,000	220,000,000
ESTIMATED INTEREST RATE	6.55%	6.30%	6.20%	6.20%	6.10%	6.10%

**General Obligation Bonds Outstanding by Bond Category
(\$000s)**

Total \$1,493,888 as of June 30, 2006



**Outstanding Debt and Legal Debt Limit
(\$000s)**



DEBT CAPACITY ANALYSIS (1)										
FY07-12 Capital Improvements Program										
COUNTY EXECUTIVE RECOMMENDED										
MARCH 13, 2007										
GO BOND 6 YR TOTAL = 1,458.0 MILLION										
GO BOND FY07 TOTAL = 264.0 MILLION										
GO BOND FY08 TOTAL = 264.0 MILLION										
	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12		
1 New GO Debt Issued (\$000s)	200,000	200,000	264,000	264,000	264,000	226,000	220,000	220,000		
2 GO Debt/Assessed Value	1.39%	1.40%	1.31%	1.24%	1.21%	1.14%	1.08%	1.01%		
3 Debt Service + LTL + Short-Term Leases/Revenues (GF)	9.01%	9.31%	8.73%	8.72%	8.99%	9.09%	8.93%	8.75%		
4 \$ Debt/Capita	1,504	1,672	1,766	1,858	1,955	2,000	2,039	2,070		
5 \$ Real Debt/Capita (FY06=100%)	1,544	1,672	1,708	1,744	1,785	1,778	1,765	1,746		
6 Capita Debt/Capita Income	2.61%	2.79%	2.72%	2.74%	2.77%	2.71%	2.64%	2.56%		
7 Payout Ratio	70.20%	69.57%	68.68%	67.97%	67.86%	68.31%	68.90%	69.55%		
8 Total Debt Outstanding (\$000s)	1,416,406	1,593,888	1,702,678	1,813,238	1,931,751	2,000,464	2,055,020	2,103,295		
9 Real Debt Outstanding (FY06=100%)	1,454,216	1,593,888	1,646,691	1,701,713	1,763,557	1,778,274	1,778,744	1,774,395		
10 Note: OP/PSP Growth Assumption (2)				9.2%	4.5%	4.4%	5.0%	4.4%		

Notes:

(1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.

(2) OP/PSP Growth Assumption equals change in revenues from FY07 approved budget to FY08 budget for FY08 and budget to budget for FY09-12.

- (1) This analysis is used to determine the capacity of Montgomery County to pay debt service on long-term GO Bond debt, long-term leases, and substantial short-term financing.
- (2) OP/PSP Growth Assumption equals change in revenues from FY07 approved budget to FY08 budget for FY08 and budget to budget for FY09-12.

GENERAL OBLIGATION BOND ADJUSTMENT CHART

FY07-12 CAPITAL IMPROVEMENTS PROGRAM

COUNTY EXECUTIVE RECOMMENDED

MARCH 13, 2007

(\$ millions)	6 YEARS	FY07	FY08	FY09	FY10	FY11	FY12
BONDS PLANNED FOR ISSUE	1,458.000	264.000	264.000	264.000	226.000	220.000	220.000
Assumes Council SAG							
Plus PAYGO Funded	173.800	26.400	26.400	44.000	33.000	22.000	22.000
Adjust for Implementation *	121.101	22.956	22.957	22.227	18.463	17.495	17.003
Adjust for Future Inflation *	(65.336)	-	-	(8.389)	(13.678)	(18.807)	(24.463)
SUBTOTAL FUNDS AVAILABLE FOR							
DEBT ELIGIBLE PROJECTS (after adjustments)	1,687.565	313.356	313.357	321.838	263.785	240.688	234.541
Less Set Aside: Future Projects	211.248	0.163	7.995	11.335	15.929	70.721	105.105
	12.52%						
TOTAL FUNDS AVAILABLE FOR PROGRAMMING	1,476.317	313.193	305.362	310.503	247.856	169.967	129.436
MCPS	(528.933)	(138.663)	(128.266)	(127.926)	(69.880)	(37.246)	(26.952)
MONTGOMERY COLLEGE	(160.241)	(20.046)	(41.033)	(36.949)	(30.923)	(22.677)	(8.613)
M-NCPPC PARKS	(68.892)	(8.937)	(10.950)	(12.743)	(12.965)	(15.211)	(8.086)
TRANSPORTATION	(346.027)	(74.242)	(72.182)	(48.484)	(47.869)	(40.266)	(62.984)
MCG - OTHER	(372.224)	(71.305)	(52.931)	(84.401)	(86.219)	(54.567)	(22.801)
SUBTOTAL PROGRAMMED EXPENDITURES	(1,476.317)	(313.193)	(305.362)	(310.503)	(247.856)	(169.967)	(129.436)
AVAILABLE OR (GAP)	-	-	-	-	-	-	-
NOTES:							
* Adjustments Include:							
Inflation =		2.60%	2.60%	2.80%	2.70%	2.70%	2.60%
Implementation Rate =		92.00%	92.00%	92.00%	92.00%	92.00%	92.00%

Note: This chart includes proposed County Executive adjustments to the Amended FY07-12 Capital Improvements Program recommended on January 11, 2007.